MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2021/2022

BAC4634 – CORPORATE ACCOUNTING 2

(All sections / Groups)

26 APRIL 2022
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. The distribution of the marks is shown at the end of each Question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1

On 1 January 2021, Flo Berhad acquired 90 percent of the issued ordinary share capital of Ray Company which is situated in Vikiland where the currency is Viki $. The carrying amount of Ray Company's net assets reflected its fair value.

The summarised statements of financial position of Flo Berhad and its subsidiary Ray Company as at 31 December 2021 are as follows:

	Flo Berhad	**Ray Company**
	RM'000	**Viki $ '000**
Assets		
Non-current tangible assets	12,000	36,000
Investment in Ray	17,000	-
Inventory	3,000	400
Trade receivables	2,600	2,600
Bank	1,200	1,200
	35,800	40,200
Equity and Liabilities		
Ordinary shares	29,200	30,000
Profit and loss at 1 January 2021	800	6,000
Profit for the year	5,000	3,000
Trade payables	800	1,200
	35,800	40,200

The summarised statements of profit or loss for the year ended 31 December 2021 are as follows:

	Flo Berhad		**Ray Company**	
	RM'000	**RM'000**	**Viki $ '000**	**Viki $ '000**
Sales		20,000		11,800
Opening inventory	2,000		600	
Purchases	12,000		4,800	
	14,000		5,400	
Closing inventory	(3,000)	(11,000)	(400)	(5,000)
Gross profit		9,000		6,800
Expenses	2,400		2,000	
Depreciation	1,600	(4,000)	1,800	(3,800)
Net profit		5,000		3,000

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Additional information:

The following exchange rates are relevant for every RM1:

	Viki $
1 January 2020- date the non-current tangible assets were bought	3
1 January 2021	2
31 December 2021	1.5
Average rate for year 2021	1.75
When the opening inventory was purchased	2
When the closing inventory was purchased	1.6

There were no purchases of non-current assets in Ray Company in year 2021.

Required:

In compliance with MFRS 121: *The Effects of Changes in Foreign Exchange Rates:*

a) Prepare the consolidated statement of financial position and consolidated statement of profit or loss where the functional currency of Ray Company is that of parent.
(23.5 marks)

b) Compute the amount of exchange difference.
(1.5 marks)

Please round up your answer where applicable.

(Total: 25 marks)

QUESTION 2

PART A

Villa Berhad was incorporated on 1 January 2021. The company engages in the hospitality business. The following information regarding the assets and liabilities of Villa Berhad as at 31 December 2021 is as follows:

i) The cost of furniture is RM200,000. The accumulated depreciation is RM36,000. Capital allowance of RM60,000 have been claimed.
ii) The carrying amount of interest receivable is RM2,000. The interest will be taxed when received.
iii) The trade receivables have a carrying amount of RM20,000. No provision for doubtful debt recognised as at to date.
iv) Villa Berhad had written down the inventories by RM1,000 to RM9,000 in the financial statements. The reduction is ignored for tax purposed until Villa Berhad sell the inventories.
v) The accrued expenses at year end was RM2,000. This is deductible for tax on a cash paid basis.
vi) The tax rate is 30%.

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Required:

In compliance with MFRS 112: *Income Taxes:*

a) Calculate the deferred tax balance as at 31 December 2021.

(12 marks)

b) Illustrate the journal entries to record the deferred taxation.

(1 mark)

PART B

i) Casa Berhad can sell an asset in two active markets, Market A and Market B, at different prices at the measurement date. In Market A, the price that would be received is RM520,000, transaction costs in that market are RM60,000 and the costs to transport the asset to that market are RM20,000. In Market B, the price that would be received is RM510,000, transaction costs in that market are RM30,000 and the costs to transport the asset to that market are RM10,000.

Required:

In compliance with MFRS 13: *Fair Value Measurement*, show the measurement of fair value of the asset if:

a) market A is the principal market for the asset,

(2 marks)

b) neither market is the principal market.

(6 marks)

ii) Meo Berhad acquired land in a business combination. The land is currently developed for industrial use as a site for a factory. The current use of land is presumed to be its highest and best use unless market or other factors suggest a different use. After building a factory on the land and purchasing machineries for the factory, Meo Berhad discovered that sites surrounding the land area have recently been developed for residential use as sites for condominiums. On the basis of that development and recent zoning, Meo Berhad decided that the land currently used as a site for a factory could be developed as a site for residential use (i.e. for condominiums) because market participants would take into account the potential to develop the site for residential use when pricing the land.

Required:

In compliance with MFRS 13: *Fair Value Measurement*, illustrate how the highest and best use of the land is determined.

(4 marks)

(Total: 25 marks)

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QUESTION 3

PART A

i) In compliance with MFRS 8: *Operating Segments*, assess why the information that is presented for operating segments is likely to be highly relevant to investors.

(4 marks)

ii) Kaba Berhad has ten operating segments:

	Segments	Revenue		Total
		External (RM'000)	Internal (RM'000)	assets (RM'000)
A	Property	220	50	280
B	Plant	175	5	510
C	Hospitality-Thailand	60	4.5	150
D	Customer service	90	20	400
E	Finance	90	30	35
F	Logistics	99	20	190
G	Food services	98	3	25
H	Hospitality- Malaysia	70	4	160
I	Information Technology	60	60	120
J	Hospitality- Indonesia	38	3.5	130
	Total	1,000	200	2,000

Required:

In compliance with MFRS 8: *Operating Segments*:

a) Prepare a table with headers as shown below to list down the percentages of all operating segments.

Operating segments	Revenue test (%)	Asset test (%)

Please round up your answers to one decimal point where applicable.

(5 marks)

b) Ascertain Kaba Berhad's reportable segments using revenue and asset tests and the 75% constraint.

(4 marks)

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PART B

Garden Party Berhad engaged in the catering business. The company offers a defined benefit pension plan to employees. The financial year end is 31 March annually. The following information is relevant for the year ended 31 March 2022:

i) The current service cost was RM48 million.
ii) As at 31 March 2022, the net pension obligation was RM220 million. The present value of plan obligation was RM400 million, and fair value of plan assets was RM208 million as at 31 March 2021.
iii) The discount rate was 6.25%.
iv) During the year, Garden Part Berhad made pension contributions of RM32 million into the scheme and the scheme paid pension benefits in the year amounting to RM12 million.
v) At 31 March 2022, an additional benefit was granted by Garden Party Berhad to those currently receiving benefits that are due to vest over the next four years and which have a present value of RM16 million at that date.

Required:

In compliance with MFRS 119: *Employee Benefits*, determine the net actuarial gain or loss of the Garden Party Berhad for year ended 31 March 2022 (show all workings).

(12 marks)

(Total: 25 marks)

QUESTION 4

PART A

Green view Berhad engages in the hospitality business. The financial year end is 31 December annually. The company is having a financial difficulty and the board of directors decided that Green View Berhad should issue a financial instrument to get more funding.

On 1 January 2022, Green View Berhad issued RM4 million 6% convertible debentures to public. The debentures will mature after three years. The debenture holder has the option either to accept cash or convert the holdings into ordinary shares. The term of conversion is that RM400 of debenture can be converted to 160 ordinary shares at the end of the loan term. On the issuance date, the market interest rate was 10%.

The present value factor at 10% is as follows:

Period	
1	0.91
2	0.83
3	0.75

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Required:

In compliance with MFRS 9: *Financial Instruments*:

i) Illustrate the journal entries to record the issuance of convertible debenture on 1 January 2022 (show all workings).

(11 marks)

ii) Illustrate the extracts of the statements of profit or loss and statement of financial position for year 2022 and 2023.

(4 marks)

PART B

Bee Yogurt Berhad is a Malaysian listed company, engages in the beverage industry. The financial year end is 31 December annually. On 1 January 2021, Bee Yogurt Berhad gave 100 share options to each of 100 staff. The staff must work for 2 years before it can be vested.

The fair value of the share options was RM2 on 1 January 2021. The share price on 31 December 2021 was RM3. It was very unlikely that the share price would increase to RM5 by 31 December 2022. 10 employees resigned during year 2021 and a further 20 are expected to leave in the following year.

Required:

In compliance with MFRS 2 *Share-based payments*:

i) Calculate the expense that will be recognised in 2021 and 2022.

(6 marks)

ii) Illustrate the journal entries based on the answer in part (i).

(4 marks)

(Total: 25 marks)

End of page.